

CIA INTERNAL USE ONLY

Chief, D/S

6 October 1958

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OC Recommendations for US Security Export Controls

1. Summary

The OC recommended a U. S. list considerably larger than the COCOM (and Battle Act) List. However, the recommendations appear to represent a considerable reduction in the size of the US Security Export Control List and Positive List. The number of items selected for presumption of approval in licensing to the Soviet Bloc was substantially increased. This evidence of a more lenient licensing policy toward the Bloc is further heightened by the recent decision of the Secretary of Commerce to permit licensing of copper metal to the Bloc and its removal from the Positive List.

2. OC Review Concluded

The Operating Committee (OC) of the Advisory Committee on Export Policy (ACEP) completed on schedule its review of the United States Master Export Security List (MESL) and of certain additional items appearing on the United States Positive List. This review, conducted in daily sessions from 12 September 1958 through 1 October 1958, covered approximately 325 items. OC did not attempt to reconcile the views expressed by the different action agencies - although the discussions did result in some compromises - but rather recorded the positions taken on each item. A record of these positions, as well as the recommendations of the ACEP Staff and Chairman, is being transmitted to the Secretary of Commerce.

3. Secretary of Commerce to Decide Final Outcome

The Secretary of Commerce must render the ultimate decision as to which items will be included in the revised Department of Commerce Export Control List. Accordingly, beginning 6 October, the Secretary will meet with his ACEP staff to consider the OC review. It is not known at this time how the differences between agency positions will be resolved. The Secretary is reported to have indicated that "he would seek the advice of his cabinet colleagues on this matter . . .". Possible courses of action include the establishment of a high-level ad hoc committee representing the agencies immediately concerned, or the use of ACEP itself as an advisory body to reconcile outstanding differences.

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4. CIA Participation in the OC Review

CIA representatives attended every meeting of the List review and furnished intelligence as requested or assisted in clarifying intelligence problems which arose. CIA intelligence support was generally based on the 'Fact Sheets' which had been prepared for the earlier COCOM List Review (or on more recent data whenever possible.) As usual, CIA representatives took no positions but restricted their comments to an intelligence appreciation of the applicability of established criteria to the individual items under consideration.

5. Results

The Operating Committee review of the U. S. list resulted in the unanimous recommendation to retain on the U. S. list with a presumption for denial to the Soviet Bloc all items agreed for embargo by COCOM. Items agreed for surveillance by COCOM were unanimously recommended for retention on the U. S. list; in most cases with the presumption for denial to the Soviet Bloc. There was a considerable area of disagreement, however, regarding the disposition of items which the U. S. had recommended for continued COCOM control but which were deleted from the International List after the recent COCOM review. The principal advocate of the retention of these items on the U. S. lists with the presumption for denial to the Soviet Bloc was the Department of Defense, supported in some instances by the Department of Commerce. The Defense and Commerce positions were generally based on presumptions of principal direct or indirect military end-use of the items concerned and on allegations of US technological superiority. The Department of State and MDAC, on the other hand, were the principal advocates of removing COCOM-deleted items from US control and in many cases contested the above agencies contentions that certain items have demonstrable military significance or clearly established advanced US technology which can be effectively denied to the Bloc by the US unilaterally. In addition, the State Department was anxious that the US not attempt to impose unilaterally through anti-frustration measures (PD-810) a level of control which it could not obtain in the COCOM forum and that no undue restrictions be placed in the way of the present Polish policy.

Although the final results have not been tabulated, it is obvious that the OC recommendations call for a substantially higher level of control than COCOM, despite certain reductions in the U.S. list. An illustrative list of commodities not multilaterally controlled which the O. C. has agreed should remain on the U. S. list with the presumption of denial to the Soviet Bloc is attached as Appendix I.

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Certain interesting cases are cited below as illustrations of the developments in the OC.

Copper - During the review the OC recommended that copper be classed in the presumption for denial to the Soviet Bloc category. An application for the export of copper to the USSR was received concurrently with the review and OC recommended that the license be denied. The recommendation of the OC was not accepted by the Secretary of Commerce who will approve the shipment and will delete copper from the positive list and consider it to be an item for which there is a presumption of approval to the European Soviet Bloc unless he receives an appeal by 6 October.

Rolling Mills - Only a few types of rolling mills are controlled under the present COCOM definition. The agencies are split on control over certain other important types. BFC and Defense favor unilateral control on the grounds that US technology is superior and can be effectively denied to the Bloc as the US controls most of the important patents. State and MDAC disagree.

Machine Tools - In at least 15 cases the Defense Department objects to deletion of remainders of machine-tool items formerly embargoed or quantitatively controlled. It is not supported by any other agency. The Department will put in a special paper to the Secretary of Commerce outlining its reasoning in this entire category.

6. Commerce Statements on Other Control Mechanisms

Members of the OC were reminded that so long as destination control is exercised by the Department of Commerce, the listing of an item is not of paramount importance in controlling its movement to the Soviet Bloc, since no US commodities other than those under general license to the Soviet Bloc may be shipped to those destinations without a US validated license.

In addition to consideration given by licensing officers, license applications for Soviet Bloc destinations greater than \$20,000 in value are reviewed by a Commerce intradepartmental committee. Applications for shipment to Soviet Bloc destinations of value greater than \$100,000 are circulated in the Economic Defense community. Any agency can object to the export, request an OC review, and appeal higher if it wishes.

Finally, the determination that there shall be a "presumption for denial (or approval)" to the Soviet Bloc is only a guideline which Commerce may disregard if such action is in the best

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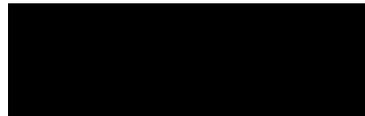
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interests of the US. In most cases such contrary action would be referred to the OC for its recommendation.

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